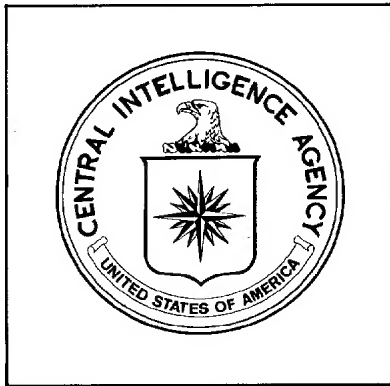


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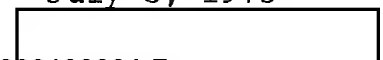
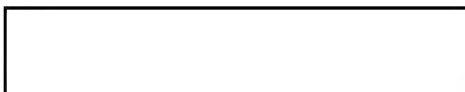
STAFF NOTES:

Soviet Union Eastern Europe

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SOVIET UNION - EASTERN EUROPE

This publication is prepared for regional specialists in the Washington community by the USSR - Eastern Europe Division, Office of Current Intelligence, with occasional contributions from other offices within the Directorate of Intelligence. Comments and queries are welcome. They should be directed to the authors of the individual articles.

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Czechoslovak Plenum Sets Congress,
Makes Personnel Changes

Prague today announced the first changes in the ruling Presidium in more than four years and set the 15th party congress for next April. The announcements followed a two-day plenum of the party's Central Committee.

The economic expertise of the new full member of the Presidium, Vaclav Hula, state planning commission chairman, and the new alternate member Jan Baryl, party secretary for agriculture--underscores the regime's concern over the country's economic problems. The new appointees probably will also help to strengthen the position of party chief Husak by diluting the influence of ultraconservatives in the party's top body. Meantime, the retention on the Presidium of president Svoboda, who is incapacitated, presumably gives Husak an additional supportive proxy vote.

Coverage of the plenum in Prague media indicates that the participants stressed the importance of the attempts at last November's plenum to mitigate economic problems. The just ended plenum dealt at length with economic matters, including progress in drafting the five year plan, and next year's state plan.

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Yugoslav Court Warns of Wider
"Cominformist" Conspiracy

A Bosnian court has warned that pro-Soviet subversion exists in other parts of Yugoslavia and involves individuals "who occupy prominent positions."

The statement came on Tuesday, when the court convicted seven Cominformists in Tuzla. The judge's final statement asserted that during the 13-day trial it had been proved that the group was trying to overthrow Yugoslav socialism and to restore a centralized, "iron-handed" system based on foreign --read Soviet--ideology. The judge also denounced the group for trying to reinstate "alien masters" in Yugoslavia. Sentences ranged from nine years "rigorous imprisonment" for the leader of the group to 18 months for one of the minor members.

The court's warning about a wider conspiracy indicates that the pre-trial investigations uncovered enough evidence to expand the hunt for Cominformists beyond Tuzla. The judge's statement specifically noted that other conspirators are still active in some enterprises of the state post and telegraph system.

The Yugoslavs may soon decide to arrest more Cominformists in order to maintain pressure on the faction. Stane Dolanc, the number-two man in the party leadership, recently indicated that the Cominformists are now the primary internal threat to Yugoslav stability. The security apparatus presumably will be eager to show its capabilities to root out the subversives.

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Ceausescu Admits Opposition Exists

Ceausescu on June 30 publicly confirmed that some unspecified members of the leadership have opposed--and probably still oppose--his ambitious efforts to fulfill the current five-year plan ahead of schedule.

The Romanian leader said that recent festivities in Bucharest, Suceava, and Covasna--which have celebrated the plan's reported fulfillment in four and a half years--should "put to rest the doubts and distrust manifested by some" toward prefulfilling the plan. Ceausescu coupled these remarks with the announcement that a party central committee plenum this month will analyze "the way the five year plan is being fulfilled."

The US embassy in Bucharest reports that Ceausescu has been cautious about trying to reap political hay from the announced prefulfillments of the plan. This suggests that he still has doubts that the efforts will be as successful as he had projected. It also suggests that he still faces opponents like former premier Maurer who, in a little publicized speech in Cluj in 1972, criticized Ceausescu's overly ambitious goals for the previous five year plan. Ceausescu has since radically revamped the leadership, particularly the economic sector, in an effort to improve performance.

Against this background, this month's plenum assumes special significance. The embassy expects it to be a key indicator of the nation's economic state. Further personnel shifts in the leadership may be made at the plenum.



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Hungary: Politburo Expanded

The Hungarian head of state and a deputy premier were promoted to membership in the party Politburo at a one-day session of the party Central Committee on July 2. The swollen, 15-man ruling body now contains six people brought in since March.

The promotion of President Pal Losonczi is in line with current practice elsewhere in Eastern Europe to make the head of state a member of the top party body. Losonczi, who has an agricultural background, has gained increasing prominence since the demotion last year of Lajos Feher, a long-time spokesman for agriculture. The regime was clearly pushing forward Losonczi to reassure rural elements that their interests would not be neglected.

The advancement of Deputy Premier Istvan Huszar reflects the regime's wish to have key economic decision makers in the top party leadership at a time when economic matters are commanding constant political attention. Huszar, who has been deputy premier for less than two years, has a strong background in statistics and planning and recently was named head of the national planning office.

Some changes at the lower levels also reflect the party's concern over economic matters. The party secretary of Csepel--the largest industrial enterprise in Hungary--was selected to head a new central committee department of industry, agriculture, and transport. The chief of a second department--for local economic development--was removed.

The central committee itself focused on economic issues. A communique spelled out some of Hungary's economic problem areas and acknowledged that Budapest continues to run a large trade deficit with the West. The session called it "necessary" for the standard of living to increase as planned but warned, however, that any "real" rise could only be based on greater productivity.

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Soviets Begin To Clarify
New Tax on Money From Abroad

This week the Ministry of Finance issued a regulation elaborating on a May decree that imposed a new 30-percent tax on foreign cash remittances. The new regulation suggests that the law's main purpose is to curb external financial support for dissidents, Jewish activists, and others--mostly Jews--whose applications for emigration have resulted in loss of employment and thus dependence on foreign support. It is possible, however, that other Soviet citizens will also be affected by the legislation, which is to go into effect on January 1, 1976.

The Ministry of Finance, which has been empowered to make exemptions to the new law, has reportedly exempted royalties, inheritances, and alimony payments from the new tax. The text of the regulation is not yet available in Washington, but what information we have suggests that funds remitted by relatives abroad to Soviet citizens will be taxed. If this is the case, a significant number of non-Jews and non-dissidents may also feel a financial pinch.

The Soviet Foreign Trade Bank already imposes a 12-percent handling charge on cash remittances from abroad if the recipient elects to take payment in rubles at the official exchange rate. If he opts for payment in hard currency coupons redeemable at special stores, as most recipients do, there is a 35-percent handling charge.

Under the new tax regulations, non-exempt recipients who take payment in rubles will receive only 58 percent instead of the current 88 percent of the original cash value. Those requesting payment in hard-currency coupons will net only 35 percent compared with 65 percent under present regulations.

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Private cash remittances from the US were estimated to total 3.8 million dollars in 1974. While this amount is relatively small, the burden of the new tax may be significant in specific cases. The regime probably calculates that apart from reducing general foreign support for internal dissidence and activism, the legislation will:

- Add another disincentive to applications for emigration, since the resulting loss of a job may now be more seriously weighed.
- Put an increased strain on foreign donors, who will have to increase the gross inflow of funds simply to maintain their current levels of support.
- Subject foreign donors to the negative psychological impact of knowing that the Soviet government may be the main beneficiary of their remittances.

The tax may prompt a search for alternative means of channeling funds to Soviet citizens. Donors may increasingly resort to sending material gifts that can be sold on the black market. Gifts can now be sent duty-free through the *Vneshposyltorg* network to relatives in the USSR, or can be brought into the country by visitors.

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East Germany Signs Economic Agreements
with West German Firms

East Germany has signed two large "cooperation" agreements with West German firms. These are the first in a series of long-term economic and technical agreements East Germany plans to sign this year with Western firms. In addition to providing Western technology, the agreements will secure markets in the West for East German exports.

One agreement, with the West German steel firm Krupp, provides for the delivery of three turnkey facilities--an electric steel plant, a furnace for an existing complex, and a fitting foundry--at a total cost of \$150 million. In return, Krupp will purchase about \$100 million worth of East German goods--mostly metallurgy products--over a ten-year period.

The other agreement, with Hoechst AG, calls for the construction of three turnkey facilities valued at \$250 million: a chlorine and caustic soda plant, a polyvinyl chloride facility, and a vinyl chloride plant. Hoechst will import a share of the output from these facilities.

East Germany is negotiating with a consortium of West German banks to secure financing for the projects.

Long-term economic and technical agreements will do little to solve East Germany's immediate export problems, but will secure hard-currency markets for future exports. The agreement with the West German firms could revitalize intra-German trade, which has stagnated since 1973. Moreover, these agreements could eventually lead to genuinely

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cooperative ventures with Western firms in East Germany. Such projects are already operating in all East European countries except East Germany and Czechoslovakia.

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